

TOWNSHIP OF LYON
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2013

TOWNSHIP OFFICIALS

Supervisor

Edward Nellist

Clerk

Anna Reno

Treasurer

Craig Williams

TRUSTEES

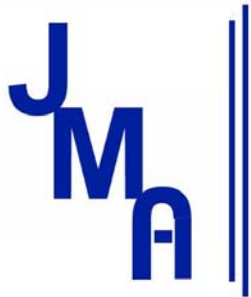
Dolores Munoz

Bill DeHaan

TOWNSHIP OF LYON

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James M. Anderson, P.C.

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INDEPENDENT AUDITOR'S REPORT

August 13, 2013

Township Board
Lyon Township
Roscommon County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lyon, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lyon Township's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lyon Township, Michigan as of March 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 32-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lyon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lyon Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2013.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$2,336,303 (*net assets*). Of this amount, \$1,311,500 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$63,063.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$275,816, an increase of \$3,547 in comparison with the prior year.
- . At the end of the current fiscal year, the unassigned fund balance for the general fund was \$275,816 or 91% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and cultural. The Township does not have any business-type activities as of and for the year ended March 31, 2013.

The Government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains seven governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road Improvement, Fire, Sanitation, Special Assessment, Building and Cemetery/Parks Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-31 of this report.

Government-wide Financial Analysis

A portion of the Township's net assets (22%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

| | Governmental Activities | | | |
|----------------------------|-------------------------|--------------|------------|---------|
| | 2013 | 2012 | Variance | % |
| Current and Other Assets | \$ 2,042,220 | \$ 1,926,773 | \$ 115,447 | 5.99 |
| Capital Assets | 522,278 | 593,825 | (71,547) | (12.05) |
| Total Assets | 2,564,498 | 2,520,598 | 43,900 | 1.74 |
| Current Liabilities | 33,195 | 42,358 | (9,163) | (21.63) |
| Long-Term Liabilities | 195,000 | 205,000 | (10,000) | (4.88) |
| Total Liabilities | 228,195 | 247,358 | (19,163) | (7.75) |
| Net Assets | | | | |
| Invested in Capital Assets | | | | |
| Net of Related Debt | 522,278 | 593,825 | (71,547) | (12.05) |
| Restricted | 502,525 | 438,924 | 63,601 | 14.49 |
| Unrestricted | 1,311,500 | 1,240,491 | 71,009 | 5.72 |
| Total Net Assets | \$ 2,336,303 | \$ 2,273,240 | \$ 63,063 | 2.77 |

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$63,063 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$71,009 or 5.72%, during fiscal year 2013.

Township's Changes in Net Assets

| | Government Activities | | | |
|---------------------------------------|-----------------------|---------------------|------------------|---------------|
| | 2013 | 2012 | Variances | % |
| Revenue | | | | |
| Program Revenue: | | | | |
| Charges for Services | \$ 93,611 | \$ 119,690 | \$ (26,079) | (21.79) |
| Operating Grants and Contributions | 3,750 | 4,000 | (250) | (6.25) |
| General Revenue: | | | | |
| Property Taxes | 794,757 | 793,989 | 768 | 0.10 |
| State-Shared Revenue | 111,309 | 102,847 | 8,462 | 8.23 |
| Interest | 3,192 | 5,314 | (2,122) | (39.93) |
| Total Revenue | 1,006,619 | 1,025,840 | (19,221) | (1.87) |
| Expenses | | | | |
| General Government | 306,032 | 296,806 | 9,226 | 3.11 |
| Public Safety | 279,191 | 314,868 | (35,677) | (11.33) |
| Public Works | 317,225 | 337,605 | (20,380) | (6.04) |
| Recreation and Cultural | 31,420 | 26,347 | 5,073 | 19.25 |
| Interest on Debt | 9,688 | 10,088 | (400) | (3.97) |
| Total Expenses | 943,556 | 985,714 | (42,158) | (4.28) |
| Increase in Net Assets | 63,063 | 40,126 | 22,937 | 57.16 |
| Net Assets - Beginning of Year | 2,273,240 | 2,233,114 | 40,126 | 1.80 |
| Net Assets - End of Year | \$ 2,336,303 | \$ 2,273,240 | \$ 63,063 | 2.77 |

Governmental Activities

The Township's total governmental revenues decreased by \$19,221 from the prior fiscal year. This is primarily attributed to the decrease in administrative fees and charges for services. Expenses decreased by \$42,158. This is primarily from the decrease in road projects and public safety costs.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,019,025 an increase of \$124,610 in comparison with the prior year. The *unassigned fund balance*, which is available for spending at the Township's discretion, constitutes 14% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 91% of total general fund expenditures.

The fund balance of the General Fund increased by \$3,547 during the current fiscal year.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Road Improvement, Fire, Sanitation, Building, Special Assessment, and Cemetery/Park Funds.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2013, amounted to \$522,278 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$27,800 for the fiscal year.

Township's Capital Assets (net of depreciation)

| | 2013 | 2012 | Total Percentage Change |
|----------------------------|-------------------|-------------------|-------------------------------|
| Land | \$ 1,501 | \$ 1,501 | 0.00 |
| Buildings and Improvements | 267,163 | 282,217 | (5.33) |
| Machinery and Equipment | 253,614 | 310,107 | (18.22) |
| Totals | <u>\$ 522,278</u> | <u>\$ 593,825</u> | <u>(12.05)</u> |

Additional information on the Township's capital assets can be found in note F on page 27 of this report.

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Again, this audit year, due to unpredictable revenue streams, the township continued to exercise conservative spending practices. As a result, we were able leave healthy 3/31/13 fund balances for the start of the 2013/2014 budget year; the only area in which we may be short is in trash pickup and the compost pile.

Accomplishments in 2012/2013:

- . Re-signed a contract with Republic for waste pickup extending it five more years. We were able to cut our contract with Republic in a number of ways. We adjusted our fuel base from 3.00 to 4.25 (cost goes over the amount on diesel fuel we pay). We also had our base amount per home rate changed from 9.03 to 8.49 and had the percent per year changed from 4% to 2%. There will be a savings of approximately \$12,000 to \$13,000 a year.
- . Extensive work has been done on Park 27 to upgrade playground equipment and the surrounding areas for use by Lyon Township residents and guests. We have been clearing brush for easier viewing of the park and a safer environment for participants in the park. New posts have been added to the volleyball courts and the horseshoe pits have been redone. The improvements to the ball field have been completed with the addition of the poly caps to the tops of the field fence.
- . The dirt piles at the compost site have been moved in preparation of turning the compost over this fall constantly making room for the additional leaves coming into the compost site.
- . The supervisor and building inspector's offices have been remodeled; new flooring, painted walls, new lighting with an improved stairway with carpeting.
- . Started a swimmer's itch task force in conjunction with Gerrish Township. We are compiling information which will be turned over to our state representative as well as our senator.
- . We have four sections of roads in Hillcrest that should have been transferred from the Road Commission in 1972. We are in the process of finalizing this with the cooperation of the Roscommon County Road Commission. Our portion of this task has been completed.
- . Headstones in the cemetery have been realigned, dead trees taken out, and brush has been removed.
- . Natural gas piping has been completed for the new emergency generator at the town hall.

TOWNSHIP OF LYON
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Goals for 2013/2014:

As mentioned in the opening paragraph, each year's budget setting goal is to keep spending practices conservative so we can leave ample fund balances for the next fiscal year. With the exception of the trash fund, all six of our operating fund balances as of 3/31/2013 were healthy and able to support the completion of projects started in 2013 or planned for 2014. Some of those projects are listed below:

- . Continue to rewrite zoning ordinances and making amendments.
- . Working with the Higgins Lake Property Associations to establish three small marinas in Lyon Township in conjunction with the DNR and DEQ.
- . Continue to work on Park 27. Tennis courts are planned along with a winter ice skating rink. We are hoping to groom the winter and summer recreational trails and also widen the trails for additional winter and summer activities. No motorized vehicles on winter and summer recreational will be allowed. Upgrades are being done to the bathrooms at Park 27 and the township hall. Cameras are being installed in our parks throughout the township.
- . Compost site work is constantly being done on the compost site. Leaves are being hauled in by commercial entities. Our own maintenance staff and residents also pick up leaves. As a result, we have the need to constantly move and turn leaves.
- . We are enlisting groups such as Huron Pines to advise us on major improvements on our two waterfront township parks.
- . We continue to work with Gerrish Township as well as residents and experts to come up with a solution to the swimmer's itch problem.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Lyon Township
PO Box 48
Higgins Lake, MI 48627**

TOWNSHIP OF LYON
STATEMENT OF NET ASSETS
MARCH 31, 2013

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and Investments | \$ 1,212,192 |
| Receivables: | |
| Accounts Receivable | 4,455 |
| Taxes and Assessments | 802,267 |
| Other Governmental Units | <u>23,306</u> |
| Total Current Assets | 2,042,220 |
| Non-Current Assets: | |
| Capital Assets - Net | <u>522,278</u> |
| Total Assets | <u>2,564,498</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts Payable | 23,195 |
| Current Portion of Long-Term Debt | <u>10,000</u> |
| Total Current Liabilities | 33,195 |
| Long-Term Liabilities: | |
| Bonds Payable | <u>195,000</u> |
| Total Liabilities | <u>228,195</u> |
| NET ASSETS | |
| Investment in Capital Assets net of related debt | 522,278 |
| Restricted | 502,525 |
| Unrestricted | <u>1,311,500</u> |
| Total Net Assets | <u><u>\$ 2,336,303</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013

| GOVERNMENTAL ACTIVITIES | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|---------------------|-------------------------|--|--|----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| General government | \$ (306,032) | \$ 36,667 | \$ - | \$ - | \$ (269,365) |
| Public safety | (279,191) | 56,124 | - | - | (223,067) |
| Public Works | (317,225) | 570 | 3,750 | - | (312,905) |
| Recreation & cultural | (31,420) | 250 | - | - | (31,170) |
| Interest on Long-Term Debt | (9,688) | - | - | - | (9,688) |
| Total governmental activities | <u>\$ (943,556)</u> | <u>\$ 93,611</u> | <u>\$ 3,750</u> | <u>\$ -</u> | <u>(846,195)</u> |
| GENERAL REVENUES | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purpose | | | | | 132,627 |
| Public Safety | | | | | 276,064 |
| Public Works | | | | | 324,671 |
| Recreation & Cultural | | | | | 61,395 |
| State Shared Revenue not restricted to specific purposes | | | | | 111,309 |
| Investment Earnings | | | | | <u>3,192</u> |
| Total General Revenues | | | | | <u>909,258</u> |
| Change in Net Assets | | | | | 63,063 |
| Net Assets - April 1 | | | | | <u>2,273,240</u> |
| Net Assets - March 31 | | | | | <u><u>\$ 2,336,303</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2013

| | <u>General</u> | <u>Road Improvement</u> | <u>Fire</u> |
|--|------------------------------|------------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 113,006 | \$ 97,480 | \$ 882,693 |
| Taxes receivable | 141,173 | 55,317 | 275,970 |
| Accounts receivable | - | - | 4,455 |
| Due from other government units | <u>23,306</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u><u>\$ 277,485</u></u> | <u><u>\$ 152,797</u></u> | <u><u>\$ 1,163,118</u></u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | <u>\$ 1,669</u> | <u>\$ -</u> | <u>\$ 1,014</u> |
| Total Liabilities | <u><u>1,669</u></u> | <u><u>-</u></u> | <u><u>1,014</u></u> |
| Fund Balances: | | | |
| Restricted for: | | | |
| Road Improvements | - | 152,797 | - |
| Fire Department | - | - | 1,162,104 |
| Sanitation | - | - | - |
| Building Code Enforcement | - | - | - |
| Cemetery/Park | - | - | - |
| Unassigned | <u>275,816</u> | <u>-</u> | <u>-</u> |
| Total Fund Balances | <u><u>275,816</u></u> | <u><u>152,797</u></u> | <u><u>1,162,104</u></u> |
| Total Liabilities and Fund Balances | <u><u>\$ 277,485</u></u> | <u><u>\$ 152,797</u></u> | <u><u>\$ 1,163,118</u></u> |

The accompanying notes are an integral part of these financial statements.

| <u>Sanitation</u> | <u>Special Assessment</u> | <u>Building Inspection</u> | <u>Cemetery/ Park</u> | <u>Totals</u> |
|-------------------|-------------------------------|--------------------------------|---------------------------|---------------------|
| \$ 2,428 | \$ 544 | \$ (378) | \$ 116,419 | \$ 1,212,192 |
| 249,159 | 19,274 | - | 61,374 | 802,267 |
| - | - | - | - | 4,455 |
| - | - | - | - | 23,306 |
| <u>\$ 251,587</u> | <u>\$ 19,818</u> | <u>\$ (378)</u> | <u>\$ 177,793</u> | <u>\$ 2,042,220</u> |
| | | | | |
| <u>\$ 20,512</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,195</u> |
| | | | | |
| <u>20,512</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>23,195</u> |
| | | | | |
| - | 19,818 | - | - | 172,615 |
| - | - | - | - | 1,162,104 |
| 231,075 | - | - | - | 231,075 |
| - | - | - | - | - |
| - | - | - | 177,793 | 177,793 |
| - | - | (378) | - | 275,438 |
| <u>231,075</u> | <u>19,818</u> | <u>(378)</u> | <u>177,793</u> | <u>2,019,025</u> |
| | | | | |
| <u>\$ 251,587</u> | <u>\$ 19,818</u> | <u>\$ (378)</u> | <u>\$ 177,793</u> | <u>\$ 2,042,220</u> |

TOWNSHIP OF LYON
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2013

| | |
|---|--------------|
| TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES | \$ 2,019,025 |
|---|--------------|

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are
not current financial resources and therefore are
not recorded in the funds. This represents the
amounts by which capital assets used in
governmental funds exceeds accumulated deprecia-
tion.

522,278

Long-term liabilities, including notes/bonds
payable and accrued liabilities are not due and
payable in the current period and therefore are
not reported in the funds.

(205,000)

| | |
|--|----------------------------|
| TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES | <u><u>\$ 2,336,303</u></u> |
|--|----------------------------|

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 2013

| | <u>General</u> | <u>Road Improvement</u> | <u>Fire</u> |
|--|--------------------------|-----------------------------|----------------------------|
| Revenues: | | | |
| Taxes and assessments | \$ 132,627 | \$ 55,335 | \$ 276,064 |
| Intergovernmental | 111,309 | - | - |
| Charges for Services | 17,995 | - | 38,916 |
| Licenses, permits and fees | 1,530 | - | - |
| Interest | 291 | 221 | 2,080 |
| Other | 9,992 | 3,750 | 25 |
| Total Revenue | <u>273,744</u> | <u>59,306</u> | <u>317,085</u> |
| Expenditures | | | |
| General government | 298,631 | - | - |
| Public safety | 3,840 | - | 202,381 |
| Public works | - | 36,362 | - |
| Recreation and culture | - | - | - |
| debt service: | | | |
| Principal | - | - | - |
| Interest and fees | - | - | - |
| Total Expenditures | <u>302,471</u> | <u>36,362</u> | <u>202,381</u> |
| Excess: | | | |
| Revenue over (under) expenditures | <u>(28,727)</u> | <u>22,944</u> | <u>114,704</u> |
| Other Financing sources (uses): | | | |
| Operating Transfers in | 36,860 | - | - |
| Operating Transfers (out) | <u>(4,586)</u> | <u>-</u> | <u>(1,060)</u> |
| Total Other Financing Sources (Uses) | <u>32,274</u> | <u>-</u> | <u>(1,060)</u> |
| Excess: | | | |
| Revenue and other financing sources over (under) expenditures and other financing uses | 3,547 | 22,944 | 113,644 |
| Fund Balance - April 1 | <u>272,269</u> | <u>129,853</u> | <u>1,048,460</u> |
| Fund Balance - March 31 | <u><u>\$ 275,816</u></u> | <u><u>\$ 152,797</u></u> | <u><u>\$ 1,162,104</u></u> |

The accompanying notes are an integral part of these financial statements.

| <u>Sanitation</u> | <u>Special Assessment</u> | <u>Building Inspection</u> | <u>Cemetery/ Park</u> | <u>Totals</u> |
|-------------------|-------------------------------|--------------------------------|---------------------------|---------------------|
| \$ 250,062 | \$ 19,274 | \$ - | \$ 61,395 | \$ 794,757 |
| - | - | - | - | 111,309 |
| - | - | - | 7,150 | 64,061 |
| - | - | 17,183 | - | 18,713 |
| 292 | 9 | 2 | 297 | 3,192 |
| 570 | - | - | 250 | 14,587 |
| <u>250,924</u> | <u>19,283</u> | <u>17,185</u> | <u>69,092</u> | <u>1,006,619</u> |
| - | - | - | - | 298,631 |
| - | - | 22,150 | - | 228,371 |
| 271,163 | - | - | - | 307,525 |
| - | - | - | 27,794 | 27,794 |
| - | 10,000 | - | - | 10,000 |
| - | 9,688 | - | - | 9,688 |
| <u>271,163</u> | <u>19,688</u> | <u>22,150</u> | <u>27,794</u> | <u>882,009</u> |
| <u>(20,239)</u> | <u>(405)</u> | <u>(4,965)</u> | <u>41,298</u> | <u>124,610</u> |
| - | - | 4,586 | - | 41,446 |
| <u>(6,000)</u> | <u>-</u> | <u>-</u> | <u>(29,800)</u> | <u>(41,446)</u> |
| <u>(6,000)</u> | <u>-</u> | <u>4,586</u> | <u>(29,800)</u> | <u>-</u> |
| (26,239) | (405) | (379) | 11,498 | 124,610 |
| <u>257,314</u> | <u>20,223</u> | <u>1</u> | <u>166,295</u> | <u>1,894,415</u> |
| <u>\$ 231,075</u> | <u>\$ 19,818</u> | <u>\$ (378)</u> | <u>\$ 177,793</u> | <u>\$ 2,019,025</u> |

TOWNSHIP OF LYON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013

| | |
|---|------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$124,610 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds do not report long-term debt; therefore, debt service payments are recorded as expenditures. However in government-wide financial statements, long-term debt is recorded as a liability and payments are applied against the outstanding balances. | 10,000 |
| Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets are capitalized and depreciation charged to expense over their useful life. | <u>(71,547)</u> |
| CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES | <u>\$ 63,063</u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2013

| | |
|---------------------------------|----------------------|
| ASSETS | |
| Cash and Investments | <u>\$1,451,689</u> |
| LIABILITIES | |
| Undistributed Collections | 766,554 |
| Due to other governmental units | <u>685,135</u> |
| Total Liabilities | <u>1,451,689</u> |
| NET ASSETS | |
| Net Assets | <u><u>\$ -0-</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2013

| | |
|--------------------------------------|----------------------|
| REVENUES | |
| Property Tax Collections | \$ 4,325,296 |
| Other | <u>907,130</u> |
| Total Revenues | <u>5,232,426</u> |
| EXPENDITURES | |
| Property Taxes | 4,325,296 |
| Other | <u>907,130</u> |
| Total Expenditures | <u>5,232,426</u> |
| Excess of Revenues over Expenditures | -0- |
| Net Assets - April 1 | <u>-0-</u> |
| Net Assets - March 31 | <u><u>\$ -0-</u></u> |

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013

NOTE A: ENTITY

The Township of Lyon is a general law township of the state of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Lyon (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Lyon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* is used to account for all financial activity related to the Township's fire and ambulance service. The main source of revenue is derived from property taxes and ambulance fees.

The *Sanitation Fund* is used to account for the Township's refuse pick-up services. The primary source of revenue is derived from property tax assessments.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township also reports the following non-major governmental funds:

- Road Improvement Fund
- Building Inspection Fund
- Cemetery/Park Fund
- Special Assessment Fund

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2012 are recorded as revenue in the current year. The Township's taxable value for the 2012 tax year totaled \$121,389,856.

The tax rates for the year ended March 31, 2013, were as follows:

| <u>PURPOSE</u> | <u>RATE/ASSESSED VALUATION</u> |
|-------------------|--------------------------------|
| General | 1.063 mills per \$1,000 |
| Road Improvements | .4463 mills per \$1,000 |
| Fire | 2.2263 mills per \$1,000 |
| Cemetery/Parks | .4952 mills per \$1,000 |
| Sanitation | Special Assessment |

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

| | <u>Years</u> |
|------------------------------|--------------|
| Land improvements | 20 |
| Buildings | 30-50 |
| Public domain infrastructure | 8-50 |
| Equipment | 3-20 |

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND BALANCE - Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which amounts can be spent.

1. Non-spendable fund balance (inherently non-spendable)
2. Restricted fund balance (externally enforceable limitations on use)
3. Committed fund balance (self-imposed limitations on use)
4. Assigned fund balance (limitation resulting from intended use)
5. Unassigned fund balance (the residual classification of the general fund)

As a general rule, when multiple categories of fund balance are available for expenditure, the Township will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

NOTE C - CASH AND INVESTMENTS

The captions or combined balance sheet related to deposits and investments are as follows:

| | <u>Cash and Deposits</u> |
|-----------------------|------------------------------|
| Government Activities | \$1,212,192 |
| Agency Funds | <u>1,451,689</u> |
| Totals | <u>\$2,663,881</u> |

The Government Accounting Standards Board Statement No. 3 risk disclosures for Lyon Township's cash deposits are as follows:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|--------------------------------|----------------------------|-------------------------|
| Insured (FDIC) | \$ 502,932 | \$ 508,968 |
| Uninsured and Uncollateralized | <u>2,160,949</u> | <u>2,223,173</u> |
| Total Deposits | <u>\$ 2,663,881</u> | <u>\$ 2,732,141</u> |

Deposits - At year-end, the carrying amount of the Township's deposits was \$2,663,881 and the bank balance was \$2,732,141. According to the Federal Deposit Insurance Corporation Rules and Regulations, 19% of the total bank balance was covered by federal depository insurance.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE C - CASH AND INVESTMENTS (CONTINUED):

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of ambulance billings of \$4,455.

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$15,363 and Roscommon County of \$7,943, totaling \$23,306.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2013 was as follows:

| <u>Primary Government</u> | <u>Beginning of year</u> | <u>Increases</u> | <u>Decreases</u> | <u>End of Year</u> |
|---|------------------------------|--------------------|------------------|------------------------|
| Governmental activities: | | | | |
| Land | <u>\$ 1,501</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 1,501</u> |
| Total capital Assets, not being depreciated | <u>1,501</u> | <u>-0-</u> | <u>-0-</u> | <u>1,501</u> |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 510,170 | -0- | -0- | 510,170 |
| Machinery and equipment | <u>1,146,433</u> | <u>27,800</u> | <u>-0-</u> | <u>1,174,233</u> |
| Total capital assets, being depreciated | <u>1,656,603</u> | <u>27,800</u> | <u>-0-</u> | <u>1,684,403</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 227,953 | 15,054 | -0- | 243,007 |
| Machinery and equipment | <u>836,326</u> | <u>84,293</u> | <u>-0-</u> | <u>920,619</u> |
| Total accumulated depreciation | <u>1,064,279</u> | <u>99,347</u> | <u>-0-</u> | <u>1,163,626</u> |
| Net capital assets, being depreciated | <u>592,324</u> | <u>(71,547)</u> | <u>-0-</u> | <u>520,777</u> |
| Net governmental activities capital assets | <u>\$ 593,825</u> | <u>\$ (71,547)</u> | <u>\$ -0-</u> | <u>\$ 522,278</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|------------------|
| Governmental activities: | |
| General government | \$ 8,701 |
| Public safety | 77,320 |
| Public works | 9,700 |
| Recreation and cultural | <u>3,626</u> |
| Total depreciation expense - governmental activities | <u>\$ 99,347</u> |

NOTE G - PENSION PLAN

The Township has a defined contribution pension plan covering substantially all of its elected and appointed officials and employees. Total pension expense for the year was \$10,656. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE H - LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2013:

| | <u>Interest Rate %</u> | <u>Maturing Through</u> | <u>Principal Outstanding</u> |
|------------------------------|----------------------------|-----------------------------|----------------------------------|
| Road Special Assessment Bond | 4.0 to 5.0% | 2025 | \$ 205,000 |
| Total | | | <u>\$ 205,000</u> |

CHANGES IN LONG-TERM DEBT

| | <u>Balance April 1, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance March 31, 2013</u> | <u>Due Within One Year</u> |
|-------------------------|----------------------------------|------------------|------------------|-----------------------------------|--------------------------------|
| Road Special Assessment | <u>\$ 215,000</u> | <u>\$ -0-</u> | <u>\$ 10,000</u> | <u>\$ 205,000</u> | <u>\$ 10,000</u> |

On November 28, 2007, the township issued Road Improvement Special Assessment Bonds in the amount of \$255,000 under Public Act 34 of 2001. The bond proceeds were used for making road improvements in the Oak Heights Special Assessment District. Repayment of the bonds will be provided through Special Assessments within the district. The bonds are in \$5,000 denomination with maturity dates ranging from May 1, 2008 to May 1, 2025 and interest rates ranging from 4.0% to 5.0%.

ANNUAL DEBT SERVICE REQUIREMENTS:

| <u>Year Ending March 31,</u> | |
|----------------------------------|------------------|
| 2014 | \$ 19,275 |
| 2015 | 18,850 |
| 2016 | 23,319 |
| 2017 | 22,681 |
| 2018 | 22,025 |
| 2019 | 21,350 |
| 2020-2025 | <u>147,954</u> |
| | 275,454 |
| Less Interest | <u>(70,454)</u> |
| Total Principal Outstanding | <u>\$205,000</u> |

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE I - INSURANCE

The Township is a member of the Michigan Municipal Liability and Property Pool. As a member of the Pool, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

| <u>Type</u> | <u>Limit</u> | <u>Deductible</u> |
|------------------------|--------------|-------------------|
| Property | \$ 1,357,519 | 100 |
| Liability | 2,000,000 | -0- |
| Errors and Omission | 1,000,000 | -0- |
| Automobiles | 1,736,205 | 100 |
| Crime | 10,000 | -0- |
| EDP | 100,000 | 100 |
| Workmen's Compensation | STATUTORY | -0- |

NOTE J - RESTRICTED NET ASSETS

The Board has restricted a portion of the fire fund net assets toward the purchase of fire fighting equipment. The restricted amount at March 31, 2013 is \$502,525.

NOTE K - JOINT VENTURE - UTILITY AUTHORITY

Lyon Township is a participant in a joint venture with Beaver Creek Township. The Higgins Lake Utilities Authority operates a joint sewage disposal system under Michigan Public Act 233 of 1955. Three members of the Authority are appointed by the Lyon Township Board and one member is appointed by the Beaver Creek Township Board. A Fifth member is appointed by mutual consent of both boards.

The Authority was established on February 16, 2007. The estimated cost of construction is \$5,557,700. This is funded through \$4,625,000 in Sewage Disposal System Bonds and \$931,000 in grants. The remaining cost are paid through the local participating governmental units.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE L - FUND BALANCE CLASSIFICATIONS

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which Lyon Township is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. The governing body, the budget or finance committee or a delegated municipality official, determines this.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balances, Lyon Township, Michigan's highest level of decision-making authority is the Township Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is by vote and approval by the Township Board.

For assigned fund balances, the Township Board is authorized to assign amounts to a specific purpose. The authorization policy is by vote and approval by the Township Board.

For the classification of fund balances, Lyon Township considers restricted amounts to have been spent when expenditures are incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, Lyon Township considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

TOWNSHIP OF LYON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2013

NOTE M - UNAUTHORIZED FUND BALANCE DEFICIT:

A Fund Balance deficit existed in the following fund as of March 31, 2013:

| <u>Fund Type / Fund</u> | <u>Fund Balance Deficit</u> |
|-------------------------|---------------------------------|
| Special Revenue: | |
| Building Inspection | <u>\$ 378</u> |

Public Act 275 of 1980 requires Lyon Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Lyon Township had not filed the required plan as of the date of this audit.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF LYON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------|--------------------|----------------------------|------------|--|
| Revenues: | | | | |
| Taxes and Assessments: | | | | |
| General property taxes | \$ 133,500 | \$ 133,500 | \$ 132,627 | \$ (873) |
| Total Taxes and Assessments | 133,500 | 133,500 | 132,627 | (873) |
| Intergovernmental: | | | | |
| State shared revenues | 94,000 | 94,000 | 99,507 | 5,507 |
| Swamp tax | 7,000 | 7,000 | 9,556 | 2,556 |
| Metro act | 2,300 | 2,300 | 2,246 | (54) |
| Total Intergovernmental | 103,300 | 103,300 | 111,309 | 8,009 |
| Charges for Services: | | | | |
| Tax collection fees | 12,400 | 12,400 | 13,522 | 1,122 |
| Other fees | 5,110 | 5,110 | 4,423 | (687) |
| Rent | 200 | 200 | 50 | (150) |
| Total Charges for Services | 17,710 | 17,710 | 17,995 | 285 |
| Licenses and Permits | 1,300 | 1,300 | 1,530 | 230 |
| Interest | 450 | 450 | 291 | (159) |
| Other: | | | | |
| Refunds & Reimbursements | 18,900 | 18,900 | 8,968 | (9,932) |
| Miscellaneous | 1,300 | 1,300 | 1,024 | (276) |
| Total Other | 20,200 | 20,200 | 9,992 | (10,208) |
| Total Revenue | 276,460 | 276,460 | 273,744 | (2,716) |

TOWNSHIP OF LYON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------------|--------------------|----------------------------|----------|--|
| General Government | | | | |
| Township Board: | | | | |
| Salaries-board | \$ 8,600 | \$ 8,600 | \$ 8,456 | \$ 144 |
| Wages - clerical | 2,579 | 2,579 | 4,200 | (1,621) |
| Wages - buildings & grounds | - | - | 1,793 | (1,793) |
| Wages - land division | 150 | 150 | - | 150 |
| Payroll taxes | 10,340 | 10,340 | 10,335 | 5 |
| Health Insurance | 12,900 | 12,900 | 10,072 | 2,828 |
| Legal fees | 6,000 | 6,000 | 6,876 | (876) |
| Contractual fees | 5,000 | 5,000 | 9,079 | (4,079) |
| Professional fees | 5,500 | 5,500 | 5,250 | 250 |
| Retirement | 10,000 | 10,000 | 10,656 | (656) |
| Telephone | 1,200 | 1,200 | 2,054 | (854) |
| Internet | 1,000 | 1,000 | 1,016 | (16) |
| Mileage | 500 | 500 | 388 | 112 |
| Repairs and maintenance | 300 | 300 | 321 | (21) |
| Insurance & bonds | 14,000 | 14,000 | 12,973 | 1,027 |
| Printing & publishing | 3,200 | 3,200 | 1,423 | 1,777 |
| Postage | 2,000 | 2,000 | 1,860 | 140 |
| Office supplies | 4,286 | 4,286 | 4,491 | (205) |
| Dues and subscriptions | 2,200 | 2,200 | 2,052 | 148 |
| Street lights | 3,500 | 3,500 | 2,293 | 1,207 |
| Miscellaneous | 9,500 | 9,500 | 963 | 8,537 |
| Capital outlay | 1,300 | 1,300 | - | 1,300 |
| Total Township Board | 104,055 | 104,055 | 96,551 | 7,504 |
| Township Supervisor: | | | | |
| Salaries & wages | 17,900 | 17,900 | 17,900 | - |
| Mileage | 100 | 100 | 178 | (78) |
| Education & training | 400 | 400 | 248 | 152 |
| Capital outlay | 1,227 | 1,227 | 1,300 | (73) |
| Total Township Supervisor | 19,627 | 19,627 | 19,626 | 1 |

TOWNSHIP OF LYON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|--------------------|----------------------------|-----------|--|
| General Government (continued) | | | | |
| Maintenance: | | | | |
| Salaries & wages | \$ 36,500 | \$ 36,500 | \$ 36,153 | \$ 347 |
| Mileage | 2,600 | 2,600 | 2,998 | (398) |
| Pension | 1,050 | 1,050 | 1,119 | (69) |
| Health Insurance | 7,800 | 7,800 | 7,750 | 50 |
| Total Maintenance | 47,950 | 47,950 | 48,020 | (70) |
| Township Assessor: | | | | |
| Salaries & wages | 30,000 | 30,000 | 30,000 | - |
| Supplies | 25 | 25 | 25 | - |
| Postage | 1,600 | 1,600 | 1,575 | 25 |
| Total Township Assessor | 31,625 | 31,625 | 31,600 | 25 |
| Election Board: | | | | |
| Salaries & wages | 3,000 | 3,000 | 3,111 | (111) |
| Contract services | 1,100 | 1,100 | 1,064 | 36 |
| Mileage | 200 | 200 | 131 | 69 |
| Supplies | 600 | 600 | 700 | (100) |
| Total Election Board | 4,900 | 4,900 | 5,006 | (106) |
| Township Clerk: | | | | |
| Salaries & wages | 29,906 | 29,906 | 30,567 | (661) |
| Mileage | 200 | 200 | 175 | 25 |
| Supplies | 500 | 500 | - | 500 |
| Education & training | 500 | 500 | 364 | 136 |
| Total Township Clerk | 31,106 | 31,106 | 31,106 | - |

TOWNSHIP OF LYON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|--------------------|----------------------------|-----------|--|
| General Government (continued) | | | | |
| Township Treasurer: | | | | |
| Salaries & wages | \$ 28,800 | \$ 28,800 | \$ 29,421 | \$ (621) |
| Postage | 3,200 | 3,200 | 3,198 | 2 |
| Mileage | 900 | 900 | 1,172 | (272) |
| Supplies | 1,400 | 1,400 | 668 | 732 |
| Education & training | 200 | 200 | - | 200 |
| Total Township Treasurer | 34,500 | 34,500 | 34,459 | 41 |
| Board of Review: | | | | |
| Salaries | 2,000 | 2,000 | 2,000 | - |
| Mileage | 100 | 100 | 122 | (22) |
| Printing & Publishing | 240 | 240 | 58 | 182 |
| Education & training | 230 | 230 | 79 | 151 |
| Total Board of Review | 2,570 | 2,570 | 2,259 | 311 |
| Township Hall: | | | | |
| Contracted Services | 1,300 | 1,300 | 1,609 | (309) |
| Utilities | 4,500 | 4,500 | 4,596 | (96) |
| Supplies | 4,000 | 4,000 | 4,147 | (147) |
| Insurance & bonds | 3,000 | 3,000 | 1,019 | 1,981 |
| Repairs and maintenance | 2,800 | 2,800 | 3,181 | (381) |
| Mileage | 681 | 681 | 283 | 398 |
| Miscellaneous | 100 | 100 | - | 100 |
| Equipment/building | 8,700 | 8,700 | 9,331 | (631) |
| Total Township Hall | 25,081 | 25,081 | 24,166 | 915 |
| Ordinance Enforcement: | | | | |
| Salaries & wages | 2,500 | 2,500 | 2,506 | (6) |
| Supplies | 120 | 120 | - | 120 |
| Mileage | 200 | 200 | 312 | (112) |
| Total Ordinance Enforcement | 2,820 | 2,820 | 2,818 | 2 |

TOWNSHIP OF LYON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|--------------------|----------------------------|------------|--|
| General Government (continued) | | | | |
| Planning Commission | | | | |
| Salaries & wages | \$ 2,400 | \$ 2,400 | \$ 1,529 | \$ 871 |
| Contracted Services | 90 | 90 | 961 | (871) |
| Total Planning Commission | 2,490 | 2,490 | 2,490 | - |
| Board of Appeals: | | | | |
| Salaries & wages | 350 | 350 | 345 | 5 |
| Miscellaneous | 200 | 200 | 185 | 15 |
| Total Board of Appeals | 550 | 550 | 530 | 20 |
| Total General Government | 307,274 | 307,274 | 298,631 | 8,643 |
| Building Administration: | | | | |
| Zoning and meeting wages | 3,873 | 3,873 | 3,840 | 33 |
| Total Building Administration | 3,873 | 3,873 | 3,840 | 33 |
| Total Expenditures | 311,147 | 311,147 | 302,471 | 8,676 |
| Excess: | | | | |
| Revenues over (under) expenditures | (34,687) | (34,687) | (28,727) | 5,960 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 44,700 | 44,700 | 36,860 | (7,840) |
| Operating transfers out | (6,000) | (6,000) | (4,586) | 1,414 |
| Total Other Financing Sources | 38,700 | 38,700 | 32,274 | (6,426) |
| Excess: | | | | |
| Revenue over (under) expenditures | 4,013 | 4,013 | 3,547 | (466) |
| Fund Balance - April 1 | 272,269 | 272,269 | 272,269 | - |
| Fund Balance - March 31 | \$ 276,282 | \$ 276,282 | \$ 275,816 | \$ (466) |

TOWNSHIP OF LYON
ROAD IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|-------------------------|--------------------|----------------------------|-------------------|--|
| Revenues: | | | | |
| Taxes | \$ 55,800 | \$ 55,800 | \$ 55,335 | \$ (465) |
| Interest | 300 | 300 | 221 | (79) |
| Other | 3,000 | 3,000 | 3,750 | 750 |
| Total Revenues | <u>59,100</u> | <u>59,100</u> | <u>59,306</u> | <u>206</u> |
| Expenditures: | | | | |
| Wages | 150 | 150 | 153 | (3) |
| Payroll taxes | 10 | 10 | 12 | (2) |
| Road Improvements | 47,200 | 47,200 | 36,197 | 11,003 |
| Total Expenditures | <u>47,360</u> | <u>47,360</u> | <u>36,362</u> | <u>10,998</u> |
| Excess: | | | | |
| Revenue over (under) | | | | |
| Expenditures | 11,740 | 11,740 | 22,944 | 11,204 |
| Fund Balance - April 1 | <u>129,853</u> | <u>129,853</u> | <u>129,853</u> | <u>-</u> |
| Fund Balance - March 31 | <u>\$ 141,593</u> | <u>\$ 141,593</u> | <u>\$ 152,797</u> | <u>\$ 11,204</u> |

TOWNSHIP OF LYON
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|----------------------------|--------------|--|
| Revenues: | | | | |
| Taxes | \$ 278,210 | \$ 278,210 | \$ 276,064 | \$ (2,146) |
| Charges for services | 35,000 | 35,000 | 38,916 | 3,916 |
| Interest | 1,400 | 1,400 | 2,080 | 680 |
| Other | 550 | 550 | 25 | (525) |
| Total Revenues | 315,160 | 315,160 | 317,085 | 1,925 |
| Expenditures: | | | | |
| Wages | 111,700 | 111,700 | 87,848 | 23,852 |
| Payroll taxes | 6,200 | 6,200 | 6,528 | (328) |
| Utilities | 6,000 | 6,000 | 7,491 | (1,491) |
| Office Supplies | 2,000 | 2,000 | 1,798 | 202 |
| Communication | 10,200 | 10,200 | 4,643 | 5,557 |
| Training & education | 10,000 | 10,000 | 3,915 | 6,085 |
| Insurance | 23,040 | 23,040 | 21,979 | 1,061 |
| Supplies | 18,500 | 18,500 | 7,392 | 11,108 |
| Repairs and maintenance | 14,000 | 14,000 | 6,527 | 7,473 |
| Services | 17,240 | 17,240 | 25,157 | (7,917) |
| Mileage | 3,000 | 3,000 | 160 | 2,840 |
| Miscellaneous | 1,000 | 1,000 | - | 1,000 |
| Equipment/building | 691,500 | 691,500 | 28,943 | 662,557 |
| Total Expenditures | 914,380 | 914,380 | 202,381 | 711,999 |
| Excess: | | | | |
| Revenues over (under) expenditures | (599,220) | (599,220) | 114,704 | 713,924 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers out | (1,060) | (1,060) | (1,060) | - |
| Total Other Financing Sources (Uses) | (1,060) | (1,060) | (1,060) | - |
| Excess: | | | | |
| Revenue over (under) Expenditures and Other Financing Uses | (600,280) | (600,280) | 113,644 | 713,924 |
| Fund Balance - April 1 | 1,048,460 | 1,048,460 | 1,048,460 | - |
| Fund Balance - March 31 | \$ 448,180 | \$ 448,180 | \$ 1,162,104 | \$ 713,924 |

TOWNSHIP OF LYON
SANITATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|----------------------------|-------------------|--|
| Revenues: | | | | |
| Special Assessments | \$ 252,000 | \$ 252,000 | \$ 250,062 | \$ (1,938) |
| Interest | 500 | 500 | 292 | (208) |
| Other | 1,000 | 1,000 | 570 | (430) |
| Total Revenues | <u>253,500</u> | <u>253,500</u> | <u>250,924</u> | <u>(2,576)</u> |
| Expenditures: | | | | |
| Wages | 9,000 | 9,000 | 12,745 | (3,745) |
| Fringe benefits | 800 | 800 | 681 | 119 |
| Contract services | 255,100 | 255,100 | 249,478 | 5,622 |
| Fuel | 2,000 | 2,000 | 1,693 | 307 |
| Utilities | 500 | 500 | 941 | (441) |
| Repairs and maintenance | 1,500 | 1,500 | 2,376 | (876) |
| Miscellaneous | 2,000 | 2,000 | 1,993 | 7 |
| Capital Outlay | 3,500 | 3,500 | 1,256 | 2,244 |
| Total Expenditures | <u>274,400</u> | <u>274,400</u> | <u>271,163</u> | <u>3,237</u> |
| Excess: | | | | |
| Revenues over (under) expenditures | <u>(20,900)</u> | <u>(20,900)</u> | <u>(20,239)</u> | <u>661</u> |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers out | <u>(6,000)</u> | <u>(6,000)</u> | <u>(6,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(6,000)</u> | <u>(6,000)</u> | <u>(6,000)</u> | <u>-</u> |
| Excess: | | | | |
| Revenue over (under) Expenditures and Other Financing Uses | <u>(26,900)</u> | <u>(26,900)</u> | <u>(26,239)</u> | <u>(661)</u> |
| Fund Balance - April 1 | <u>257,314</u> | <u>257,314</u> | <u>257,314</u> | <u>-</u> |
| Fund Balance - March 31 | <u>\$ 230,414</u> | <u>\$ 230,414</u> | <u>\$ 231,075</u> | <u>\$ (661)</u> |

TOWNSHIP OF LYON
SPECIAL ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

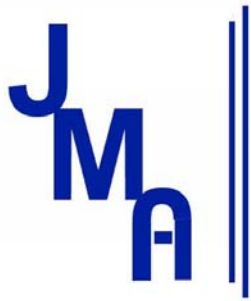
| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|----------------------------|------------------|--|
| Revenues: | | | | |
| Special Assessments | \$ 15,392 | \$ 15,392 | \$ 19,274 | \$ 3,882 |
| Interest | 100 | 100 | 9 | (91) |
| Total Revenues | <u>15,492</u> | <u>15,492</u> | <u>19,283</u> | <u>3,791</u> |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principle | 10,000 | 10,000 | 10,000 | - |
| Interest | <u>9,700</u> | <u>9,700</u> | <u>9,688</u> | <u>12</u> |
| Total Expenditures | <u>19,700</u> | <u>19,700</u> | <u>19,688</u> | <u>12</u> |
| Excess: | | | | |
| Revenues over (under) expenditures | (4,208) | (4,208) | (405) | 3,803 |
| Fund Balance - April 1 | <u>20,223</u> | <u>20,223</u> | <u>20,223</u> | <u>-</u> |
| Fund Balance - March 31 | <u>\$ 16,015</u> | <u>\$ 16,015</u> | <u>\$ 19,818</u> | <u>\$ 3,803</u> |

TOWNSHIP OF LYON
BUILDING INSPECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|----------------------------|-----------------|--|
| Revenues: | | | | |
| License and permits | \$ 14,900 | \$ 14,900 | \$ 17,183 | \$ 2,283 |
| Interest | 2 | 2 | 2 | - |
| Total Revenues | <u>14,902</u> | <u>14,902</u> | <u>17,185</u> | <u>2,283</u> |
| Expenditures: | | | | |
| Wages | 11,500 | 11,500 | 11,309 | 191 |
| Fringe Benefits | 900 | 900 | 865 | 35 |
| Office Supplies | 500 | 500 | 452 | 48 |
| Contracted Services | 9,200 | 9,200 | 9,384 | (184) |
| Miscellaneous | 100 | 100 | 140 | (40) |
| Total Expenditures | <u>22,200</u> | <u>22,200</u> | <u>22,150</u> | <u>50</u> |
| Excess: | | | | |
| Revenues over (under) expenditures | <u>(7,298)</u> | <u>(7,298)</u> | <u>(4,965)</u> | <u>2,333</u> |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | <u>6,000</u> | <u>6,000</u> | <u>4,586</u> | <u>(1,414)</u> |
| Total Other Financing Sources (Uses) | <u>6,000</u> | <u>6,000</u> | <u>4,586</u> | <u>(1,414)</u> |
| Excess: | | | | |
| Revenue and other financing sources over (under) expenditures | <u>(1,298)</u> | <u>(1,298)</u> | <u>(379)</u> | <u>919</u> |
| Fund Balance - April 1 | <u>1</u> | <u>1</u> | <u>1</u> | <u>-</u> |
| Fund Balance - March 31 | <u>\$ (1,297)</u> | <u>\$ (1,297)</u> | <u>\$ (378)</u> | <u>\$ 919</u> |

TOWNSHIP OF LYON
CEMETERY / PARK FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2013

| | Original Budget | Final Amended Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|----------------------------|------------|--|
| Revenues: | | | | |
| Property taxes | \$ 61,800 | \$ 61,800 | \$ 61,395 | \$ (405) |
| Cemetery lots & internments | 4,000 | 4,000 | 7,150 | 3,150 |
| Interest | 300 | 300 | 297 | (3) |
| Other | 600 | 600 | 250 | (350) |
| Total Revenues | 66,700 | 66,700 | 69,092 | 2,392 |
| Expenditures: | | | | |
| Wages | 6,001 | 6,001 | 7,299 | (1,298) |
| Fringe Benefits | 350 | 350 | 348 | 2 |
| Supplies | 5,150 | 5,150 | 4,367 | 783 |
| Insurance | 1,200 | 1,200 | 1,099 | 101 |
| Contracted services | 3,000 | 3,000 | 2,063 | 937 |
| Utilities | 950 | 950 | 862 | 88 |
| Repairs and maintenance | 4,100 | 4,100 | 4,872 | (772) |
| Miscellaneous | 50 | 50 | 585 | (535) |
| Capital outlay | 8,000 | 8,000 | 6,299 | 1,701 |
| Total Expenditures | 28,801 | 28,801 | 27,794 | 1,007 |
| Excess: | | | | |
| Revenues over (under) expenditures | 37,899 | 37,899 | 41,298 | 3,399 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers Out | (30,750) | (30,750) | (29,800) | 950 |
| Total Other Financing Sources (Uses) | (30,750) | (30,750) | (29,800) | 950 |
| Excess: | | | | |
| Revenue over (under) expenditures and other financing uses | 7,149 | 7,149 | 11,498 | 4,349 |
| Fund Balance - April 1 | 166,295 | 166,295 | 166,295 | - |
| Fund Balance - March 31 | \$ 173,444 | \$ 173,444 | \$ 177,793 | \$ 4,349 |



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

August 13, 2013

Township Board
Lyon Township
Roscommon County, Michigan

In planning and performing my audit of the financial statements of the governmental activities and each major fund of the Township of Lyon, Michigan as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered Lyon Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Township Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

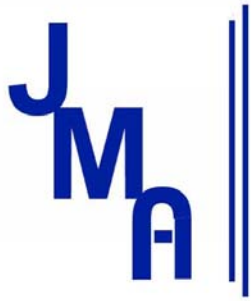
A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiencies described above are material weaknesses.

In addition, I noted other matters involving the internal control and its operation that I have reported to the management of Lyon Township in a separate letter dated August 13, 2013.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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August 13, 2013

Township Board
Lyon Township
Roscommon County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Lyon for the year ended March 31, 2013, and have issued my report thereon dated August 13, 2013. Professional standards require that I provide you with the following information related to my audit.

My Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in my engagement letter dated August 5, 2013, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Lyon. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Lyon Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Lyon are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Lyon during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Lyon Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Lyon, either individually or in the aggregate, indicate matters that could have a significant effect on Lyon Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Lyon Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

COMMENTS AND RECOMMENDATIONS

The following is a summary of my observations and suggestions for improvements I believe should be brought to your attention.

Payroll

Starting on January 1st 2013, the social security rate for employees increased from 4.2% to 6.2%. However, the Clerk continued to withhold at the reduced rate for the first two quarters of 2013. This caused an under payment to the IRS and an amount due from each employee. It is my understanding that the clerk is in the process of collecting the underpayment from the employees and arranging payment to the IRS for the shortfall. This is the second occurrence of the payroll not being up to date with tax changes. I recommend that a procedure be put in place to ensure the software is up to date and the Clerk make herself familiar with the tax changes at the beginning of each year.

Accounts Payable

During our testwork we found several payments to vendors which were paid from statement rather than the original invoices. Payments should only be made based on the original invoices for support.

Trust and Agency

The Township holds funds for the Utility Authority. These funds are accounted for by the Treasurer via bank accounts. However, they are not included in the general ledger maintained by the Clerk. I recommend that this be done as soon as possible.

Tax Collections

The "Accounting Procedures Manual for Local Units of Government" issued by the Michigan Department of Treasury states that it is the Township Clerk's responsibility to maintain a general ledger for the tax collections. This is not being done. I recommend that a trust account be established in the accounting system and the tax collection activity be accounted for within it.

A significant amount of time was spent reconciling the tax collections to the bank activity. During the year there had been summer tax funds deposited into the winter bank account creating a shortage and overage in the respective accounts. This was compounded by an error involving Tax Tribunal adjustments affecting the Roscommon Area Public Schools. In addition, the final distribution of the winter taxes to the township funds was incorrect leaving an excess amount in the winter tax fund. I recommend that the Treasurer make the corrective distributions based on the reconciliation provided, transfer the corrective distribution to the summer fund from the winter, and then reconcile the remaining funds in the winter account.

Fund Balance Deficit

The Building Inspection Fund ended the year with a deficit of \$378. This requires a deficit elimination plan to be filed with the Michigan Department of Treasury. In addition, the board needs to make the necessary transfers to eliminate the deficit as soon as possible.

Conclusion

I would like to express my appreciation, as well as that of my staff, for the excellent cooperation received while performing the audit. If I can be of any assistance in implementing the above recommendations, please contact me.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

James M. Anderson, P.C.
Certified Public Accountant